

Economics of Tariff-Rate Quota Administration. By David W. Skully.
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Abstract

The 1996 Uruguay Round Agreement on Agriculture was a step toward free trade. The Agreement lifts bans and quotas on imports, but allows their conversion into tariff-rate quotas (TRQs), which function like quotas. At present, many of the 1,300 TRQs increased market access to imports, but some have preserved pre-Agreement levels of protection. The World Trade Organization's intent as to the administration of TRQs is open to interpretation. This report analyzes seven administrative methods in light of the principle of nondiscrimination. We conclude that auctions are the best way to administer a TRQ. First-come, first-served and license-on-demand methods present a moderate risk of biased trade. State trading organizations and producer groups that directly administer TRQs can also bias trade. Historical allocation is the method most likely to be discriminatory. Two case studies illustrate our conclusion.

Keywords: Tariff-rate quotas, quantitative restrictions, trade barriers, tariffs.

Note to Readers:

This report deals with administration of TRQs. Liberalization of TRQs is addressed in another report, *Agricultural Policy Reform in the WTO—The Road Ahead* (AER-802), in chapter 3, "Liberalizing Tariff-Rate Quotas."